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Subcontracting as entrepreneurial opportunity. Conceptualization and research model proposition

Podwykonawstwo jako okazja przedsiębiorcza. Konceptualizacja i propozycja modelu badawczego

Abstract: The development of subcontracting practices is often referred to as one of the ways to stimulate the growth of small-scale enterprises and the creation of entrepreneurial opportunities. Most works focus on situations in which the subcontracting firm is of a relatively larger size than the sub-contractor, operating on a larger scale and sometimes being of foreign origin and ownership. On the example of Northwest Poland's fishing processing industry, this article brings attention to the potential of partnership subcontracting relationship between firms of a small size, arguing that this stream of research deserves to be given more attention. The paper presents various categories of reasons for which firms engage in subcontracting in its productive activities and various situations in which partnership sub-contracting relationships between small scale enterprises are beneficial to both the contractor and the subcontractor. It then turns to opportunity as unit of research as it outlines the potential entrepreneurial opportunities of both subcontracting firms and their subcontractors. The paper concludes with a synthesis of current research in the area of opportunity-based-view of subcontracting and proposes a research model that will hopefully serve to test various relationships in the practice of partnership subcontracting. The theoretical development of the paper is illustrated on the example of fish-processing industry in Northwest Poland region.

Streszczenie: Rozwój praktyk podwykonawstwa uznany jest w literaturze tematu za metodę stymulowania rozwoju małych i średnich przedsiębiorstw oraz jako sposób kreowania okazji rynkowych. Podwykonawstwo tradycyjnie kojarzone jest z relacją dużych i rozwiniętych przedsiębiorstw, często międzynarodowych, z mniejszymi i słabszymi graczami rynkowymi, którzy świadczą usługi podwykonawstwa większym partnerom. Niniejszy artykuł skupia się na podwykonawstwie opartym na obustronnie korzystnej relacji mniejszych podmiotów i prezentuje sytuacje, w których partnerska relacja podwykonawstwa jest okazją przedsiębiorczą. Artykuł przedstawia poszczególne kategorie powodów, dla których małe i średnie przedsiębiorstwa mogą angażować się w partnerskie podwykonawstwo. Opracowanie poddaje analizie podwykonawstwo, odwołując się do teorii przedsiębiorczości i okazji jako podstawowej jednostki badawczej tej teorii. Praca omawia determinanty identyfikacji i eksploatacji okazji przedsiębiorczych w kontekście podwykonawstwa oraz przedstawia przedsiębiorczą orientację w podwykonawstwie na przykładzie podwykonawców przetwórstwa rybnego w północno-zachodniej Polsce. Podsumowaniem rozważań jest propozycja modelu badawczego podwykonawstwa przemysłowego oraz egzemplifikacja przedstawionych związków na przykładzie lokalnego przemysłu przetwórstwa rybnego w północno-zachodniej Polsce.

Keywords: entrepreneurship; opportunity-based view; subcontracting
Słowa kluczowe: okazje przedsiębiorcze; podwykonawstwo; przedsiębiorczość

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Introduction

The notion of opportunity creation, recognition and exploitation are traditionally associated with entrepreneurship. Firms with a strong entrepreneurial commitment, perceive new opportunities more quickly, and their proactive character and their will to take risks and facilitate the exploitation of these opportunities. Entrepreneurial firms strive on opportunities and subcontracting arrangement within their industry often can present new and/or different opportunities for their business.

This study takes the entrepreneurial opportunity lens to subcontracting arrangements of firms for three reasons. First, understanding the nature of opportunities in industrial subcontracting contexts is important because it can enhance firm performance. Research has shown that some industries and/or geographic regions produce more opportunities than others measured by the number of start-ups (Shane, 2003). This phenomenon cannot be explained by an individual-centric approach as there is no evidence of wide swings in the allocation of entrepreneurial individuals across countries or industries. The logical explanation turns our attention to a relatively higher amount of business opportunities in certain countries and/or industries. Simply put, some areas and/or industries may present more fertile grounds for subcontracting in terms of opportunity than others. Therefore opportunity as unit of analysis is much advised.

Second, authors have noted that research focused strictly on the firm may be useful for some domains such as strategic entrepreneurship which compares performance between competitive firms, but it does not add enough insight into the entrepreneurship nexus (Shane & Venkataraman, 2000). Performance advantage over other firms is not a sufficient measure of entrepreneurship, since entrepreneurship is concerned with discovery and exploitation of profitable opportunities. Opportunity as unit of analysis in entrepreneurship research allows the assessment of entrepreneurial acts and provides a deeper understanding of its dynamics. Firm subcontracting arrangement within industries occurs as a response to perceived opportunity and therefore requires an opportunity-based approach as well.

Third, the paper addresses a call made by Zahra and Wright (2011) that research needs to move beyond filling in the potholes in a well-known path. These authors suggest the need for "creative reconstruction" in the field that will bring about a shift in research focus (Zahra

& Wright 2011: 69). Examining the role of opportunity in subcontracting processes is a response to that call.

The main goal of this paper is to present an opportunity-based view (OBV) of firm subcontracting, the antecedents and conceptualization of this stream of theory, claiming that OBV provides a useful lens for subcontracting business activity analysis. The paper starts with types of subcontracting arrangements and reasons why firms take up subcontracting. It then introduces opportunity as a unit of analysis, and explores the antecedents of opportunity development in subcontracting context. The problem of opportunity exploitation is exemplified on the case of fish processing industry in Northwest Poland. The paper concludes with a proposal of a research model. The major contribution of this study lies in extending the existing body of firm subcontracting research and providing a new perspective, placing opportunity in the centre of the discussion.

INDUSTRIAL SUBCONTRACTING

In contemporary competitive business environment subcontracting arrangement can offer substantial benefits leading to competitive advantage. The subcontracting device has become a widely used tool by numerous companies around the world in different industrial settings. Subcontracting arrangements involve two parties and refer to situations in which one company contracts off a part of its core activity to another company (Żur, 2000). The products or services of the subcontractor are subject to purchase by only one customer – the contractor. Subcontracting is often associated with a related term of outsourcing, which refers to contracting a part of its activities complimentary to the core activity (Żur, 2000).

The literature depicts two main groups of subcontracting arrangements across industries (Uekusa, 1987: 500):

1) one-time contracts, which can be renewed on a regular basis as is the case of construction industry, and

2) long-term cooperation as often found in manufacturing industries.

Subcontracting refers to one of the most basic business problems: the problem of make or buy. Authors outline two main groups of factors responsible for subcontracting: push factors associated with a shortage of capacity or resources and pull factors associated with potential opportunities through cost efficiencies (Glass and Saggi, 2001). For small scale contractors capacity considerations often play a decisive role and push them into subcontracting arrangements when confronted with high levels of demand, for example during a peak season. This type of cooperation is rather short term in duration. Pull factors which refer to leveraging competitive advantage through cost externalization often establish a long-lasting pattern of cooperation between companies within industrial sectors.

In mainstream subcontracting literature three broad categories of reasons are presented for which firms may seek subcontractors (Van Heemst, 1984; Glass and Saggi, 2001):

– cost considerations,
– scarcity or absence of needed inputs,
– short-term capacity considerations.

The above reasons formulated in the 1980s refer to common situations in which companies experience either some kind of shortage (resource based or capacity based) or restructure their activities in order to gain cost advantage. All of the above also apply to all subcontracting scenarios, regardless of the size of both contractor and subcontractor.

Cost considerations refer to situations in which the subcontractor can carry out certain tasks at a lower cost that the contractor. This scenario occurs when the subcontractor: (i) exhibits cost efficiency due to specialization and/or economy of scale or (ii) can acquire resources for a lower price. While the first factor is related to scale, the second factor of cost leadership is often dependent upon geography. The common motives of flexible and/or lean production systems refer to the bottom line of cost efficiency and also fall into this category. This category of subcontracting tends to be long term relationships, evolving over time.

Scarcity or absence of certain inputs refers not only to resources, but also to situations in which the contractor lacks specific know-how or skills, as well as those in which the contractor does not possess the necessary machinery or equipment and thus needs to rely on external services, as is often the case in construction industry. This category of subcontracting is mid-term in durations, as often the contractor will develop the needed know how or acquire the necessary equipment over time.

Long-term industrial subcontracting arrangements driven by pull factors present a pool of significant potential benefits for both parties involved (Buckley & Casson, 1998; Rama, Ferguson & Malero, 2003). These primarily refer to securing long-term contracts, cost reductions, focus and specialization within a narrow filed of activities and access to new networks, knowledge and know-how (table 1). Inter-industry linkages and cooperation often bear mezzo- and macroeconomic positive effects such as regional industrial development and wealth creation (Alarape, 2007).

Tab. 1. Potential benefits of long-term industrial subcontracting arrangement

Potential benefits for contractors	Potential benefits for subcontractors
– Risk reduction – Networking: access to knowledge, know-how, new relationships and new information – Focus and specialization	
– Purchase products made according to individual specification and requirements – Cost savings in areas such as machinery, technology, know-how, storage and labor. – Enables implementation of lean and just-in-time production systems – Enables flexibility and cheaper adaptation to changing market demand	– Access to new markets – Cost savings in areas such as promotion, distribution and sales – Fewer customers and fewer products – Long-term contracts

Source: own evaluation

Yet, as some authors point out, long-term subcontracting arrangements can present significant risks as well (Żur, 2000; Alarape, 2007). The primary risk involved with long-terms subcontracting is dependency upon a single or a few single contractors (or subcontractors)

which may result in weakening the bargaining power of the party involved, loss of market alertness and in effect, a decrease in competitiveness versus other market players.

This dualism of potential effects of long-term industrial subcontracting arrangements provokes the perception of subcontracting twofold: as a threat or as an entrepreneurial opportunity. Successful subcontracting arrangement needs to provide both partners with long-term positive effects and lead to stable business development. Under which conditions can subcontracting arrangements become entrepreneurial opportunities and remain a source of further entrepreneurial opportunities to exploit? The opportunity-based view of subcontracting may provide a new framework for the analysis of successful subcontracting arrangements.

Opportunity as a Unit of Analysis

Opportunity is referred to as the dominant thread in current mainstream entrepreneurship research, both individual and firm-level (Venkataram et al., 2012). According to Stevenson & Jarillo-Mossi (1986) the pursue of opportunity defines the ability of the individual, as well as the organization to be entrepreneurial. Contemporary coexisting convictions regarding entrepreneurship are rather completing than competing, all referring to the identification, evaluation and pursuit of opportunity (Stevenson & Jarillo-Mossi, 1986; Jones & Butler, 1992; Shane & Venkataram, 2000).

Early conceptualizations of opportunity define them as situations in which new goods, services, raw materials and organizing methods can be introduced and sold at more than their cost of production process (Casson, 1982). As Schumpeter (1934) elaborated, economies operate in a constant state of disequilibrium. Technological, political, social, regulatory, and other types of changes offer a continuous supply of new information about different ways to use resources and create wealth. By making it possible to transform resources into a more valuable form, new information can alter the value of resources and, therefore, the resources' proper equilibrium price. Because information is imperfectly distributed, all players in the market do not simultaneously acquire new information. Some players obtain information before others about new resources, new discoveries being made, or new markets being created. Those that obtain new information before others can purchase resources at below their equilibrium value and earn an entrepreneurial profit by recombining the resources and then selling them (Schumpeter, 1934). This suggests that time is an important aspect of opportunity exploitations and that early movers are more likely to succeed. In subcontracting context timing of information regarding markets, resources and new technology appears to be critical for establishing new modes of cooperation, new product developments or new alliances.

With regard to these early findings, opportunities can come in various forms, yet their prerequisite is information asymmetry. Authors still disagree whether opportunities are objective or subjective phenomena. Shane and Venkataram (2000) argue that although the recognition of opportunity is a subjective process, opportunities themselves are objective phenomena that are not known to all people at all times. An opposing argument developed by others suggest that opportunities may be also created rather than discovered (Kirzner, 1973). Opportunity creation may be driven by subjective beliefs and actions, rather than objective

factors. According to some, it is human beings who bring life and meaning to opportunities, as without them opportunities are non-existent. Both positions hold strong arguments in this discussion and might be completing rather than competing, taken the vast array of opportunity sources.

Shane (2003) offered a typology of opportunities, based on whether they rely on completely new combinations of means-ends or optimize the existing ones. He refers to those two situations as to Schumpeterian and Kirznerian opportunities respectively. This distinction has been followed in later years by other authors and researchers have established that these two perspectives explain the existence of different types of opportunities that can be both present in an economy at the same time (Shane & Venkataraman, 2000), yet they may have different effects on the economic activity of the entrepreneur and bear different effects on the economy.

Schumpeterian opportunities result from disequilibrating forces and result in disrupting the existing system. They break away from existing knowledge and rely primarily on new knowledge and innovative ideas. Schumpeterian opportunities make the accumulation of evidence for their value and duration difficult. As a result, they are more risk sensitive and represent high profit potential (Aldrich, 1999). Schumpeterian opportunities rely on imagination and creativity and as such, they are rather created than identified, since they usually result in a brand new opportunity space and a new market.

Kirznerian opportunities, on the other hand, result from equilibrating forces and bring the economy closer to equilibrium. They rely on existing information, are not very innovative and replicate exiting organizational forms and established ways of doing things (Shane, 2003). Kirznerian opportunities emerge because prior decision makers made errors or omissions that have created surpluses or shortages. As such they are idiosyncratic, characteristic to an individual market situation (Shane, 2003). As such, Kirznerian opportunities are rather identified than created and involve observation and analytical skills. These opportunities introduce optimization solutions to the existing market order and as such are associated with subcontracting arrangements, which by nature optimize the allocation of resources, skills, competence and division of labour.

Features of Opportunities

All opportunities, despite their type and source, have two important features: value and longevity (Shane, 2003). The value of opportunity is expressed in the belief that its expected profit will be larger than the opportunity cost of other alternatives (Kirzner, 1997). Again, opportunity value is not an objective phenomenon as it is based on subjective judgment and refers to the future. Even if two entrepreneurs might both identify an opportunity for subcontracting, they are very likely to give that opportunity different value.

Another feature of opportunities is their limited duration. Because entrepreneurial opportunities depend on asymmetries of information and beliefs, eventually they become less profitable or even cost inefficient to pursue. This is for two prime reasons. First, as opportunities are exploited, information diffuses to other members of society who can imitate the

entrepreneur and competition increases. Firms that engage in subcontracting arrangements and generate high profits over time may be followed by other entrants. When the entry rate of additional subcontractors reaches a level at which the benefits from new entrants exceeds the cost, the incentive for people to pursue the opportunity is reduced, as observed early on by Schumpeter (1934). Second, the exploitation of opportunity provides information to resources providers about the value of the resources that they possess and leads them to raise resource prices over time, in order to capture some of the profit (Kirzner, 1997).

The aspect of opportunity value and its decrease over time has important implications for firms which pursue subcontracting. As raised before, subcontracting relationships with a strong contractor can push subcontractors in a dangerous comfort zone, decreasing their bargaining power, market alertness and competitiveness. If this occurs, new entrants may easily push existing subcontractors out of the arrangement.

Taken all of the above into consideration, opportunities in subcontracting context can be defined as situations in which new mean-ends combinations in industrial settings can be created or optimized through subcontracting arrangements that hold value over a limited amount of time.

The study of subcontracting through opportunity lens is referred to as opportunity-based view (OBV) of subcontracting and conceptualizes industrial subcontracting as the behavioural processes of firms associated with the identification and exploitation of opportunities through industrial subcontracting arrangements which deliver value and hold over time. Opportunity-based view refers to pull factors of subcontracting, that is situations in which firms identify or create a business opportunity. OBV perspective adapts a process-oriented approach to subcontracting, in which antecedents of opportunity, path dependence and feedback effects are all relevant to our understanding of opportunity dynamics.

Antecedents of Opportunity in Subcontracting Context

It has been asserted in the past that two prime factors influence the probability that people identify and exploit opportunities: the possession of necessary information and cognitive properties of individuals (Shane & Venkataraman, 2000; Shane, 2003; Mitchell et al., 2002). It has been established by the literature that possession of necessary information can be impacted most by the entrepreneur's prior knowledge and experience as well as his social networks.

Prior experience, especially industry-specific experience, provides the entrepreneur with various information and knowledge. These bunks of knowledge coupled with new observations and information can take on new meaning and transform into new value. Knowledge building is a dynamic constructivist process that cannot be planned or foreseen. OBV builds on Hayek's view of new knowledge construction (Hayek, 1945). Opportunity development in the light of that theory, is a creative process in which the entrepreneur develops new ideas by recombining dispersed bits of incomplete knowledge that is spread among people, places and time, in novel ways that serve to create new value.

The second factor of information acquisition is social ties. It is an obvious observation that people gain access to information through interactions with other people. The structure of an entrepreneurs' social networks determine what kind of information they receive, in terms of both quantity and quality. The strength of their social ties and their intensity will also determine the speed of the receipt of that information. Much of the important information for subcontracting activity, such as information about market trends, market gaps, business environment or sources of capital, is likely to be spread across a variety of people. Subcontracting ties may enable entrepreneurs to access new networks and thus new sources of information.

In order to develop an opportunity, the entrepreneur has to combine and transform information in new ways. Differences in cognitive processing among people can influence this transformation process and thus individual propensity to identify opportunity. Cognitive processes play a critical role in transforming the acquired knowledge and experience into opportunity recognition. Some people are better than other at understanding causal links, categorizing information or have a bigger imagination.

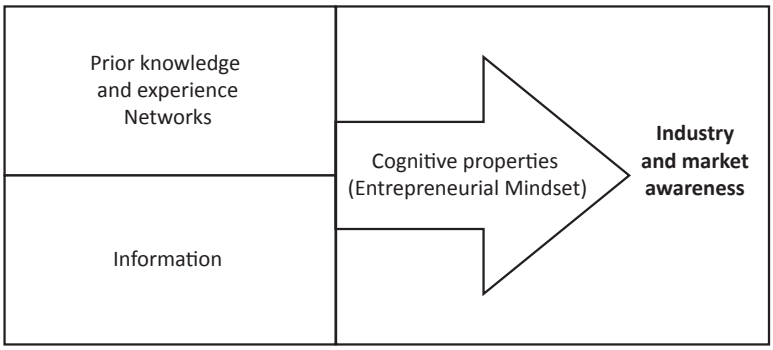
Shane (2003) depicted four broad categories underlying the cognitive abilities associated with an entrepreneurial mindset and thus critical in opportunity recognition: intelligence, perceptive ability, creativity and not seeking risks. The author quotes studies which suggest that differences among people in their intellectual capacity influence their likelihood of opportunity discovery. A person's general intelligence measured by their IQ is correlated in numerous longitudinal studies with the discovery of more valuable opportunities. Perceptive ability is a critical cognitive skill, since opportunity discovery always involves identification, absorption and analysis of information. Similarly creativity, since opportunities rely on novel solutions to open-ended questions. Shane quotes ample research which confirms that creativity is a cognitive ability, which enhances the chance of opportunity discovery. The fourth component of important cognitive abilities listed by Shane is not seeing risks. This property of individuals refers to the interpretation of information. Some people in new information and new ideas will mainly see risks, others will mainly see opportunities. Environmental changes and uncertainty evoke panic in some people, while excitement in others. Opportunity discovery cannot be stifled by risk aversion.

People exhibiting the possession of these four fundamental cognitive properties with time can develop industry and market awareness, which is the critical cognitive structure in subcontracting contexts that determines the pattern of cognitive behaviours and thus directly, the discovery of opportunity within a specific industry and/or market. Individuals who possess industry and market awareness, (1) are capable of perceiving, analyzing, and decoding the industry/market operating environment, (2) can accurately identify effective managerial actions in the industry/market environment, and (3) possess the behavioural flexibility and discipline to act appropriately.

Figure 1 synthesizes the above discussion and presents a holistic perspective on opportunity antecedents in subcontracting context. In short, new ideas start with prior knowledge and new information, often acquired through networks. The employment of cognition processes driven by an entrepreneurial mindset transform these sources of knowledge into new ideas. Diversified experiences and rich networks coupled with cognitive abilities of the

entrepreneur can enhance the process of industry and market awareness and opportunity recognition.

Fig. 1. Antecedents of opportunity in subcontracting context



Source: own evaluation

The model indicates that opportunity antecedents are interconnected; they are all necessary to influence new opportunity recognition. All of the variables of the model differ from one individual to another. Based on earlier experience, individual cognitive properties and social ties, some entrepreneurs can acquire, utilize and process data on market changes and industry shifts quicker than others. They can therefore make quicker decisions about their firm's engagement in subcontracting and receive greater profits.

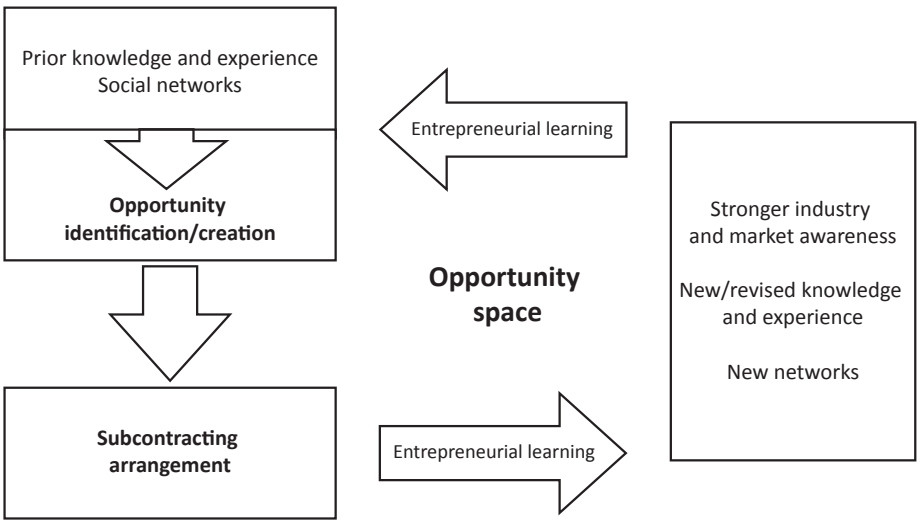
Feedback Effect of Entrepreneurial Learning

Entrepreneurial learning can multiply and/or strengthen the process of opportunity identification. Erdelyi (2010) argues that entrepreneurial learning has two branches: one that involves personal learning and another that involves collective learning. Personal learning focuses on the individual constitutes the cognitive mechanisms for identifying entrepreneurial business opportunities and making decisions about them, while collective learning arises from the interaction of individuals within a firm or within an ecosystem. And so entrepreneurial learning hits upon a dichotomy between the individual and the subcontracting networks they are a part of.

At the level of the individual entrepreneur, learning can happen twofold, by (i) repetition of efficient practices or (ii) replacement of incorrect knowledge and practices with new ones based on negative feedback or new information. Researchers have looked at critical learning events such as significant successes or failures (Cope, 2005) and have found that both of these can impact substantially the entrepreneur's learning process. Some authors suggest that entrepreneurs can learn more from failure than form success, since the first can alert entrepreneurs of incorrect assumptions and beliefs, while positive outcomes lead entrepreneurs to persist with their selected course of action (Petkova, 2009). Discrepancies

between expectations and outcomes often occur in entrepreneurial settings and when coupled with deep cognitive processes, they can trigger learning. This would suggest that lack of failure may restrict individuals from exploring alternatives, gathering new information and knowledge and looking for new opportunities. This line of reasoning would explain why some long-term subcontracting arrangements lead to loss of market alertness and a decrease in firm competitiveness. Failure situations might therefore lead to enhanced learning processes. This would suggest that prior subcontracting failure might positively increase future arrangements.

Fig. 2. Opportunity-based view of subcontracting



Source: own evaluation

At the organizational level, entrepreneurial learning occurs as a result of two firm-level processes: (i) the external acquisition of knowledge-based resources outside of the firm's boundaries and/or (ii) internal integration and exploitation of these knowledge-based resources that create new knowledge within the firm (Kreiser, 2011). New knowledge acquired within subcontracting networks can be recombined by individual firms to revise prior knowledge and create novel solutions. The prerequisites of this process are firm-level motivation to participate in knowledge network exchange and the ability to combine these knowledge resources in a way that creates new value (Grant, 1996). Consequently, entrepreneurial learning in subcontracting contexts requires firms to exhibit a readiness to seek, absorb and transform new information and knowledge in their industrial contexts. We can assume that with time, the entrepreneurial learning process may lead to enhanced market and industry alertness, better opportunity recognition and more accurate decisions regarding opportunity exploitation. Entrepreneurial learning can impact the expansion of opportunity space, defined as the pool of identified opportunities. New knowledge and experience

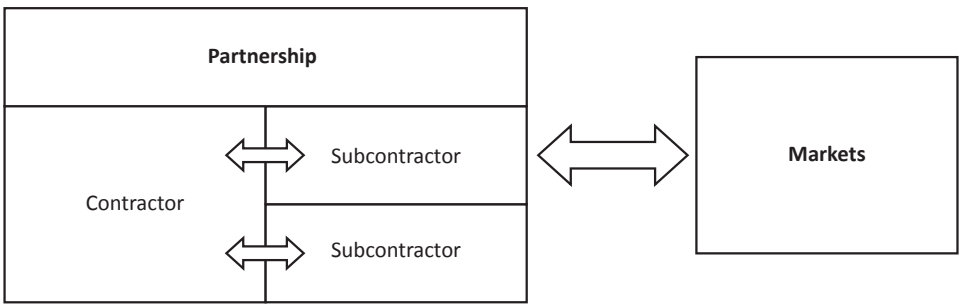
gained through subcontracting relationships expand the horizons of opportunity recognition and encourage firms to seek new subcontracting arrangements. Entrepreneurial learning introduces a loop relationship tying prior experience to future behaviour, moving the entrepreneur to higher levels of awareness and accuracy in opportunity identification. Figure 2 presents the cyclical process of opportunity discovery based on the feedback effect provided by entrepreneurial learning.

The proposed model draws attention to path-dependency and feedback effects of opportunity exploitation in subcontracting contexts. We can assume that opportunity identification and development is a continuous, cyclical process as one opportunity stimulates other opportunities through exposure to new information, networks and entrepreneurial learning. With time, these processes can significantly enlarge the opportunity space of an entrepreneur.

INDUSTRIAL SUBCONTRACTING – EXAMPLE OF NORTHWEST POLAND

The implementation of OBV of subcontracting can be illustrated by the solutions implemented in Northwest Poland. In the 1990s, after the collapse of a major fishing and fish processing conglomerate, employing about 5 thousand people, the region was left with networks of professionals with many years of industry experience and a high unemployment rate of over 20%. The majority of the unemployed were past workers of the former state-owned fish processing and trading company closed down in 1992. A significant number of professionals with management experience, numerous market relationships and industry knowledge moved on to start their own businesses in the area that they knew best. Lack of accumulated capital and shortage of necessary resources limited the scope of their ventures. These small scale businesses specialized either in fish processing or trading activities. They could all benefit from prior knowledge, experience, networks and highly skilled workforce. These new companies' success depended upon establishing subcontracting relationships to supplement and complete their limitations. These partnerships consisted typically of a trading and distribution company on one hand, and a network of subcontractors specialized in a specific type of processing technology on the other (Figure 3).

Fig. 3. Partnership subcontracting



Source: own evaluation

Subcontracting arrangements triggered learning and opportunity recognition for some, but not all of these firms. The concept of some of the subcontracting firms was to concentrate business activity on high-technology service and become the market leader in high quality fish processing services. They started investing in the newest technology and complying to all international sanitary, veterinary norms. This was a costly step, but beneficial in many ways. It led to instant local market advantage. Coupled with relatively low labour costs, it led to international market advantage and contracts from foreign trading companies (German, Dutch, French).

Several companies which started as modest local subcontractors quickly found its market position on a niche of the processing and packing frozen fish products market. This type of business activity is just a service subcontracted by customer and does not require investing in raw fish material. This helped sustain financial liquidity and lessen the cash flow problems encountered often by many Polish firms. Subcontracting arrangements enabled them to access new knowledge, new contacts and experience, which proved to be invaluable in further market positioning and expanding the range of contractors.

Northwest Poland today can boast itself with several successful subcontractors, recognized across Europe. They service Polish and international trading companies in several fish-processing niches, tailoring the service to customer's needs, ensuring highest quality and just-in-time production. They are an excellent example of a proactive entrepreneurial approach to subcontracting, which is marked by constant environmental scanning; following business trends, new technology, customers' expectations and exploitation of new arising opportunities.

Conclusions

Industrial subcontracting relies on reasoning that applies to situations in which one firm wishes to sub-contract a certain stage of its production process to another firm which specializes in carrying out that stage, because it is for the former firm, given its normal level of production, uneconomical to purchase the equipment needed for carrying out that stage in its own factory. Whenever it is possible from an organizational or technical point of view to break down the production process into a number of discrete stages, sub-contracting may lead to a reduction in production costs of the enterprise responsible for the final product and in effect - to superior market performance. The paper exemplifies this scenario with partnership subcontracting schemes in Northwest Poland.

For businesses which gain profits solely from subcontracting activities, the main and biggest threat comes from customer dependence (Żur, 2000) leading to all the potential dangers as in a monopoly scenario. It is therefore crucial for subcontractors to keep a diversified portfolio of customers, constantly search for new market opportunities, that will enable the company to further diversify its group of customers. Knowledge-sharing, entrepreneurial mindset, learning and market scanning for new subcontracting opportunities are key elements successful subcontracting arrangements. Therefore, opportunity identification and exploitation is the central issue in the proposed opportunity based view of subcontracting.

This study hopes to contribute to the discussion devoted to opportunity-based approach of industrial subcontracting. It synthesizes fragmented pieces of research from the domains of industrial subcontracting, mainstream entrepreneurship and entrepreneurial learning theory and proposes a model of OBV of subcontracting. The model exposes the role of entrepreneurial learning in subcontracting opportunity development suggesting that opportunity recognition and exploitation is a path dependent self-reinforcing cyclical process.

The proposed model brings together state-of-the-art research and extends it by providing a deeper understanding of the feed-back effect of entrepreneurial learning, as well as highlighting the progressive nature of opportunity space. Subcontracting arrangement can expose firms to new knowledge, experience networks and thus open up new areas of opportunities. When coupled with entrepreneurial mindset and entrepreneurial learning, this can have a multiplying effect expanding the pool of potential subcontracting opportunities. Hopefully, the model can serve as a useful lens for hypotheses formulation and testing within the research domain of industrial subcontracting.

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